



## CITY OF DURHAM | NORTH CAROLINA

**Date:** April 27, 2011

**To:** Thomas J. Bonfield, City Manager  
**Through:** Keith Chadwell, Deputy City Manager  
**From:** Mike Barros, Director  
Department of Community Development  
**Subject:** Approval of the FY 11-12 Annual Action Plan

### Executive Summary

On April 5, 2011, a memo was sent to the City Manager outlining the process for approval of the FY 11- 12 Annual Action Plan. That memo announced the Durham City Council would hold a public hearing on April 18, 2011 to receive citizen comments on the Draft FY 11-12 Annual Action Plan for the use of Community Development Block Grant (CDBG), HOME Investment Partnerships Program (HOME), and Emergency Shelter Grant (ESG). Comments would also be received on General Fund monies allocated for special needs housing.

Because of the number of citizens that were prepared to speak on another agenda item on April 18, 2011, the public hearing on the Draft FY 11-12 Annual Action Plan was opened and then closed to be re-opened on May 2, 2011. This placed the public hearing and the request for approval of the Draft FY 11-12 Annual Action Plan on May 2, 2011.

The regulations of the U.S. Department of Housing and Urban Development (HUD) require that the approved Annual Action Plan be received in the respective HUD Field Offices no later than May 15.

### **Recommendation**

The Department of Community Development (DCD) recommends that City Council approve the FY 11-12 Annual Action Plan for the use of CDBG, HOME, and ESG for submission to the U.S. Department of Housing and Urban Development; approve the recommendations for the use of General Fund monies for special needs housing; authorize the City Manager to execute all administrative requirements and contractual documents necessary for implementation of the Annual Action Plan to include all CDBG, HOME and ESG program agreements and related documents; adopt the City of Durham's U.S. Department of Housing and Urban Development Community Development Block Grant project ordinance in the amount of \$1,888,987; adopt the City of Durham's U.S. Department of Housing and Urban Development HOME Investment Partnerships Program grant project ordinance in the amount of \$1,374,500; and, adopt the City of Durham's U.S. Department of Housing and Urban Development Emergency Shelter Grant project ordinance in the amount of \$118,487. The three grant project ordinances are attached.

### **Background**

As an entitlement city, Durham has been the recipient of CDBG funds since 1975 and HOME Consortium funds since 1992. CDBG funds have primarily been used for housing activities, public services, code enforcement, public infrastructure, and administration. HOME funds have been used for affordable housing activities as required by HOME program regulations. The City has also been a recipient of ESG funds from HUD, which have been used to provide assistance to individuals and households who are homeless or at risk of becoming homeless. For the past several years the City Council has also authorized General Funds to be used for support of special needs housing which has included supporting programs to prevent homelessness and assist persons and families who have become homeless.

The Annual Action Plan is Durham's application to HUD for the upcoming fiscal year's funding and outlines the actions Durham is taking with HUD-awarded funds to meet the goals as described in the 2010-2015 Five Year Consolidated Plan. HUD regulations require that the City submit the Council-approved Annual Action Plan by May 15<sup>th</sup>.

The Five-Year Consolidated Plan identified the following priorities for housing related activities:

1. Neighborhood Revitalization
2. Housing for Persons with Special Needs

### **Issues/Analysis**

Both CDBG and HOME funds are used to support ongoing homeownership, housing rehabilitation and repair, code enforcement and other initiatives. CDBG, HOME, ESG and specially designated General Funds are allocated through a competitive application process. An advertised application workshop was held on December 14, 2010 with an initial submission date of January 27, 2011. As a result of input received at the January 18, 2011 Needs Public Hearing, the submission date was extended until February 25, 2011.

All applications for CDBG, HOME, ESG, and General Funds were evaluated by Community Development staff based on the established review criteria delineated in the respective application guidelines. DCD staff presented their individual evaluations concerning the strengths and weaknesses of the applications to a DCD panel. In addition to discussing the strengths and weaknesses of each application, the panel took into consideration such factors as the cap on CDBG funding for public services, the minimum set aside requirement for HOME Community Housing Development Organization (CHDO) funding and funding caps in the ESG program.

A recommended budget was then presented to the Director of DCD and subsequently forwarded to the Deputy City Manager and then the City Manager. The funding recommendations for the three HUD entitlement programs and General Funds were also presented to the Citizens Advisory Committee (CAC) and discussed at their March 28, 2011 meeting.

The CAC approved the initial recommendation from the DCD with the following exceptions:

- (1) Increase allocation to Habitat for Humanity's housing repairs program (incorporated in the Excel spread sheet attached to this memo).
- (2) Fund the Durham Housing Authority's Community Learning Center at \$37,500 (not incorporated in the Excel spread sheet attached to this memo).
- (3) Fund the Durham Affordable Housing Coalition's housing counseling at \$66,000 (not incorporated in the Excel spread sheet attached to this memo).
- (4) Fund the Durham Regional Financial Center's housing counseling at \$30,000 (not incorporated in the Excel spread sheet attached to this memo).

Subsequent to these actions, the City has been notified of additional reductions in both CDBG and HOME funds and a slight increase in ESG funds. Staff had anticipated some reductions and included a 7.5% and 9.0% reduction in anticipated CDBG and HOME funds, respectively. This week the City has been notified that these reductions will be 17% and 13% respectively. In addition there will be a 1% across the board reduction in all HUD programs. These additional reductions necessitated a new review of the funding scenarios outlined in the draft Annual Action Plan that has been available for public review. These changes are attached in an Excel spread sheet which shows the previous recommendations and the new recommendations. An Excel spread sheet is also attached that shows only the new recommendations.

Total allocations including program income have changed from \$2,072,053 in CDBG to \$1,888,987, representing a reduction of \$183,066. HOME changed from \$1,478,703 to \$1,374,500 for a reduction of \$104,203. ESG was increased from \$84,200 to \$118,487 for an increase of \$34,287.

HUD has notified Durham that there may be more changes including another across the board 1% reduction to all HUD programs bringing total reductions to 19% for CDBG and 15% for HOME. The attached draft Annual Action Plan assumes that an additional 1% across the board cut could be offset with program income. The program income estimates included in the draft Annual Action Plan are conservative for this reason. While there are not any expected cuts in ESG, if the 1% across the board applied to ESG the cuts would be prorated against the Annual Action Plan's recommended funding levels for each subrecipient.

### **Alternatives**

In order to receive CDBG, HOME and ESG funds and remain in compliance with federal regulations, the participating jurisdiction must hold two public hearings prior to the submission of its Annual Action Plan in May to HUD. The only flexibility that the City has is in determining the dates for the public hearings. Failure to approve and submit the Plan to HUD before May 15, 2011 will jeopardize the receipt of funding.

### **Financial Impact**

The City will be required to provide a 25% match (non-federal funds) to the total amount of HOME funds used directly for affordable housing activities. The FY 11-12 required match will be

approximately \$266,719. The match requirement has already been met by carry-over from prior fiscal years.

The required \$118,487 ESG match will be met in two ways. ESG subrecipients are required to provide a cash or in-kind match. The match for the DCD administrative allowance is General Funds used for staff salaries to support those functions.

**SDBE Summary**

Not applicable to this item.